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STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT

OF

TOWN OF SPENCER

OWEN COUNTY, INDIANA

January 1, 2009 to December 31, 2010

FILED

08/29/2011

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Linda Simmerman	01-01-09 to 07-03-09
	Vacant	07-04-09 to 07-05-09
	Mari Beth Jones	07-06-09 to 07-29-09
	Vacant	07-30-09 to 07-30-09
	Vicki DuBois	07-31-09 to 06-24-11
	Vacant	06-25-11 to 06-26-11
	Cheryl Moke	06-27-11 to 12-31-11
President of the Town Council	Dean Bruce	01-01-09 to 12-31-09
	Jon Stantz	01-01-10 to 12-31-11
Superintendent of Wastewater Utility	Shelley Edwards	01-01-09 to 12-31-11

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF SPENCER, OWEN COUNTY, INDIANA

We have audited the accompanying financial statement(s) of the Town of Spencer (Town), for the years ended December 31, 2009 and 2010. These financial statement(s) are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statement(s) based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement(s) are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement(s). An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion(s).

As discussed in Note 1, the Town prepares its financial statement(s) on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

The Town's financial statement(s) for 2009 could not be verified due to lack of financial records. A ledger of receipts, disbursements, and balances was not always maintained for the last six months of 2009.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the receipts, disbursements, and account balances of the various funds for 2009 as discussed in the preceding paragraph, the financial statement(s) referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 15, 2011, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement(s). The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement(s). Such information has been subjected to the auditing procedures applied in the audit of the financial statement(s) and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement(s) taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement(s). The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement(s). The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statement(s) and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, the Town Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 15, 2011

STATE OF INDIANA
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302 WEST WASHINGTON STREET
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF SPENCER, OWEN COUNTY, INDIANA

We have audited the financial statement(s) of the Town of Spencer (Town), for the years ended December 31, 2009 and 2010, and have issued our report thereon dated August 15, 2011. The opinion(s) to the financial statement(s) were qualified due to lack of financial records for the last six months of 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion(s) on the financial statement(s), but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement(s) will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item(s) 2010-1 to be material weaknesses.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement(s) are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item(s) 2010-1.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 15, 2011

FINANCIAL STATEMENT(S)

TOWN OF SPENCER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	$ 714,116	$ 1,116,728	$ 1,002,132	$ 828,712
Motor Vehicle Highway	76,122	71,703	92,022	55,803
Local Road And Street	2,393	8,801	7,428	3,766
Parks And Recreation Operating	29,037	5,000	25,389	8,648
Parking Meter	65,973	18,524	22,573	61,924
Crime Control	28	-	-	28
Law Enforcement Continuing Ed	3,517	3,627	1,673	5,471
Riverboat	30,136	15,695	-	45,831
Drug Free Community	90	-	-	90
Rainy Day	137,387	26,702	-	164,089
Levy Excess	193	-	-	193
Police Donation	3,388	900	2,281	2,007
Street Cut Permit	365	80	-	445
Street Cut Repairs	31,017	-	8,600	22,417
Drug Abuse Education	6,102	-	1,845	4,257
Board Of Zoning Appeal	2,689	125	80	2,734
Police Reserve Fund	4,710	100	858	3,952
Police Training	1	7,236	-	7,237
Criminal Justice - Cop In School	12,982	-	12,982	-
Police Safety And Equipment	5,049	800	676	5,173
Owen Fire Territory Operating	292,472	324,685	253,961	363,196
Owen Fire Territory Equip. Replace	112,388	29,937	35,065	107,260
Cumulative Capl Imprv Cigarette Tax	41,873	9,689	7,240	44,322
Cumulative Capital Development	68,003	35,373	25,584	77,792
Edit	207,990	195,870	-	403,860
Payroll	11,794	874,454	845,302	40,946
CHRP Grant	-	10,000	-	10,000
Wastewater Utility-Operating	423,336	1,140,767	1,179,890	384,213
Wastewater Util-Bond And Interest	54,595	510,965	510,982	54,578
Wastewater Utility-Deprec/Improve	653,130	156,736	111,572	698,294
Wastewater Utility-Customer Deposit	7,100	12,300	6,500	12,900
Wastewater Utility-Construction	51,396	65	51,461	-
Wastewater Utility-Debt Reserve	5,580	72,540	72,540	5,580
Totals	$ 3,054,952	$ 4,649,402	$ 4,278,636	$ 3,425,718

The notes to the financial statement(s) are an integral part of this statement.

TOWN OF SPENCER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	$ 828,712	$ 1,167,547	$ 1,259,787	$ 736,472
Mvh	55,803	78,405	25,806	108,402
Lrs	3,766	9,910	26,654	(12,978)
Parking Meter	61,924	17,435	6,025	73,334
If Systems Grant	28	-	-	28
Law Enforcement Continuing Ed	5,471	2,179	976	6,674
Meth Grant	90	-	-	90
Drug Abuse Education	4,257	500	638	4,119
Bza	2,734	-	80	2,654
Rainy Day	164,089	-	-	164,089
Levy Excess	193	-	-	193
Public Relations	2,007	3,499	2,771	2,735
Ovft General	363,196	275,682	227,920	410,958
Police Reserve	3,952	-	-	3,952
Safety & Equipment	5,173	-	-	5,173
Police Training	7,237	840	550	7,527
Street Cut Permit	445	40	-	485
Street Cut Repairs	22,417	-	-	22,417
Parks & Recreation Operating	8,648	-	384	8,264
Cci	44,322	7,343	23,147	28,518
Ccd	77,792	30,996	15,584	93,204
Edit	403,860	189,304	42,513	550,651
Riverboat	45,831	15,695	-	61,526
Ovft Equip Replacement	107,260	25,566	25,000	107,826
Payroll Fund	40,946	1,089,580	1,089,234	41,292
CHRP Grant	10,000	36,310	28,997	17,313
Ww	384,213	1,044,840	1,101,947	327,106
Bond & Interest Cash	54,578	471,180	353,780	171,978
Dpreciation Fund Cash	698,294	925,511	714,526	909,279
Customer Deposit Cash	12,900	11,900	6,061	18,739
Debt Reserve	5,580	35,328	26,496	14,412
Totals	$ 3,425,718	$ 5,439,590	$ 4,978,876	$ 3,886,432

The notes to the financial statement(s) are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan(s)

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town of Spencer's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

TOWN OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	Local Road And Street	Parks And Recreation Operating	Parking Meter	Crime Control	Law Enforcement Continuing Ed
Cash and investments - beginning	$ 714,116	$ 76,122	$ 2,393	$ 29,037	$ 65,973	$ 28	$ 3,517
Receipts:							
Taxes	625,413	-	-	-	-	-	-
Licenses and permits	6,925	-	-	-	-	-	1,887
Intergovernmental	426,915	71,703	8,801	-	-	-	-
Charges for services	17,193	-	-	-	18,524	-	1,740
Fines and forfeits	351	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	39,931	-	-	5,000	-	-	-
Total receipts	1,116,728	71,703	8,801	5,000	18,524	-	3,627
Disbursements:							
Personal services	583,488	92,022	-	-	19,513	-	-
Supplies	127,609	-	7,428	2,667	96	-	-
Other services and charges	177,634	-	-	646	-	-	1,673
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	107,323	-	-	22,076	2,964	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	6,078	-	-	-	-	-	-
Total disbursements	1,002,132	92,022	7,428	25,389	22,573	-	1,673
Excess (deficiency) of receipts over disbursements	114,596	(20,319)	1,373	(20,389)	(4,049)	-	1,954
Cash and investments - ending	$ 828,712	$ 55,803	$ 3,766	$ 8,648	$ 61,924	$ 28	$ 5,471

TOWN OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

	Riverboat	Drug Free Community	Rainy Day	Levy Excess	Police Donation	Street Cut Permit	Street Cut Repairs
Cash and investments - beginning	$ 30,136	$ 90	$ 137,387	$ 193	$ 3,388	$ 365	$ 31,017
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	80	-
Intergovernmental	15,695	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	26,702	-	900	-	-
Total receipts	15,695	-	26,702	-	900	80	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	745	-	-
Other services and charges	-	-	-	-	1,536	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	8,600
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	2,281	-	8,600
Excess (deficiency) of receipts over disbursements	15,695	-	26,702	-	(1,381)	80	(8,600)
Cash and investments - ending	$ 45,831	$ 90	$ 164,089	$ 193	$ 2,007	$ 445	$ 22,417

TOWN OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

	Drug Abuse Education	Board Of Zoning Appeal	Police Reserve Fund	Police Training	Criminal Justice - Cop In School	Police Safety And Equipment	Owen Fire Territory Operating
Cash and investments - beginning	$ 6,102	$ 2,689	$ 4,710	$ 1	$ 12,982	$ 5,049	$ 292,472
Receipts:							
Taxes	-	-	-	-	-	-	288,280
Licenses and permits	-	-	-	7,236	-	-	-
Intergovernmental	-	-	-	-	-	-	12,403
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	125	100	-	-	800	24,002
Total receipts	-	125	100	7,236	-	800	324,685
Disbursements:							
Personal services	-	-	48	-	12,982	-	18,361
Supplies	-	-	810	-	-	-	29,155
Other services and charges	1,845	80	-	-	-	-	126,114
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	676	80,331
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	1,845	80	858	-	12,982	676	253,961
Excess (deficiency) of receipts over disbursements	(1,845)	45	(758)	7,236	(12,982)	124	70,724
Cash and investments - ending	$ 4,257	$ 2,734	$ 3,952	$ 7,237	$ -	$ 5,173	$ 363,196

TOWN OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

	Owen Fire Territory Equip. Replace	Cumulative Capl Imprv Cigarette Tax	Cumulative Capital Development	Edit	Payroll	CHRP Grant	Wastewater Utility-Operating
Cash and investments - beginning	$ 112,388	$ 41,873	$ 68,003	$ 207,990	$ 11,794	$ -	$ 423,336
Receipts:							
Taxes	28,309	-	34,917	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,462	9,689	456	-	-	10,000	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	1,081,255
Other receipts	166	-	-	195,870	874,454	-	59,512
Total receipts	29,937	9,689	35,373	195,870	874,454	10,000	1,140,767
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	35,065	7,240	25,584	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	388,021
Other disbursements	-	-	-	-	845,302	-	791,869
Total disbursements	35,065	7,240	25,584	-	845,302	-	1,179,890
Excess (deficiency) of receipts over disbursements	(5,128)	2,449	9,789	195,870	29,152	10,000	(39,123)
Cash and investments - ending	$ 107,260	$ 44,322	$ 77,792	$ 403,860	$ 40,946	$ 10,000	$ 384,213

TOWN OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

	Wastewater Util-Bond And Interest	Wastewater Utility-Deprec/Improve	Wastewater Utility-Customer Deposit	Wastewater Utility-Construction	Wastewater Utility-Debt Reserve	Totals
Cash and investments - beginning	$ 54,595	$ 653,130	$ 7,100	$ 51,396	$ 5,580	$ 3,054,952
Receipts:						
Taxes	-	-	-	-	-	976,919
Licenses and permits	-	-	-	-	-	16,128
Intergovernmental	-	-	-	-	-	557,124
Charges for services	-	-	-	-	-	37,457
Fines and forfeits	-	-	-	-	-	351
Utility fees	-	-	-	-	-	1,081,255
Other receipts	510,965	156,736	12,300	65	72,540	1,980,168
Total receipts	510,965	156,736	12,300	65	72,540	4,649,402
Disbursements:						
Personal services	-	-	-	-	-	726,414
Supplies	-	-	-	-	-	168,510
Other services and charges	-	-	-	-	-	309,528
Debt service - principal and interest	164,685	-	-	-	-	164,685
Capital outlay	-	-	-	-	-	289,859
Utility operating expenses	-	-	-	-	-	388,021
Other disbursements	346,297	111,572	6,500	51,461	72,540	2,231,619
Total disbursements	510,982	111,572	6,500	51,461	72,540	4,278,636
Excess (deficiency) of receipts over disbursements	(17)	45,164	5,800	(51,396)	-	370,766
Cash and investments - ending	$ 54,578	$ 698,294	$ 12,900	$ -	$ 5,580	$ 3,425,718

TOWN OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010

	General Fund	Mvh	Lrs	Parking Meter	If Systems Grant	Law Enforcement Continuing Ed	Meth Grant	Drug Abuse Education
Cash and investments - beginning	$ 828,712	$ 55,803	$ 3,766	$ 61,924	$ 28	$ 5,471	$ 90	$ 4,257
Receipts:								
Taxes	597,328	-	-	-	-	-	-	-
Intergovernmental	439,305	-	-	-	-	-	-	-
Charges for services	-	-	-	17,435	-	2,179	-	500
Utility fees	-	-	-	-	-	-	-	-
Other receipts	130,914	78,405	9,910	-	-	-	-	-
Total receipts	1,167,547	78,405	9,910	17,435	-	2,179	-	500
Disbursements:								
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	1,259,787	25,806	26,654	6,025	-	976	-	638
Total disbursements	1,259,787	25,806	26,654	6,025	-	976	-	638
Excess (deficiency) of receipts over disbursements	(92,240)	52,599	(16,744)	11,410	-	1,203	-	(138)
Cash and investments - ending	$ 736,472	$ 108,402	$ (12,978)	$ 73,334	$ 28	$ 6,674	$ 90	$ 4,119

TOWN OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Bza	Rainy Day	Levy Excess	Public Relations	Ovft General	Police Reserve	Safety & Equipment	Police Training
Cash and investments - beginning	$ 2,734	$ 164,089	$ 193	$ 2,007	$ 363,196	$ 3,952	$ 5,173	$ 7,237
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	3,499	275,337	-	-	840
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	345	-	-	-
Total receipts	-	-	-	3,499	275,682	-	-	840
Disbursements:								
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	80	-	-	2,771	227,920	-	-	550
Total disbursements	80	-	-	2,771	227,920	-	-	550
Excess (deficiency) of receipts over disbursements	(80)	-	-	728	47,762	-	-	290
Cash and investments - ending	$ 2,654	$ 164,089	$ 193	$ 2,735	$ 410,958	$ 3,952	$ 5,173	$ 7,527

TOWN OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Street Cut Permit	Street Cut Repairs	Parks & Recreation Operating	Cci	Ccd	Edit	Riverboat	Ovft Equip Replacement
Cash and investments - beginning	$ 445	$ 22,417	$ 8,648	$ 44,322	$ 77,792	$ 403,860	$ 45,831	$ 107,260
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	40	-	-	7,343	30,996	189,304	15,695	25,445
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	121
Total receipts	40	-	-	7,343	30,996	189,304	15,695	25,566
Disbursements:								
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	384	23,147	15,584	42,513	-	25,000
Total disbursements	-	-	384	23,147	15,584	42,513	-	25,000
Excess (deficiency) of receipts over disbursements	40	-	(384)	(15,804)	15,412	146,791	15,695	566
Cash and investments - ending	$ 485	$ 22,417	$ 8,264	$ 28,518	$ 93,204	$ 550,651	$ 61,526	$ 107,826

TOWN OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Payroll Fund	CHRP Grant	Ww	Bond & Interest Cash	Dpreciation Fund Cash	Customer Deposit Cash	Debt Reserve	Totals
Cash and investments - beginning	$ 40,946	$ 10,000	$ 384,213	$ 54,578	$ 698,294	$ 12,900	$ 5,580	$ 3,425,718
Receipts:								
Taxes	-	-	-	-	-	-	-	597,328
Intergovernmental	-	-	-	-	-	-	-	439,305
Charges for services	-	36,310	-	-	-	-	-	604,923
Utility fees	-	-	1,044,840	-	-	-	-	1,044,840
Other receipts	1,089,580	-	-	471,180	925,511	11,900	35,328	2,753,194
Total receipts	1,089,580	36,310	1,044,840	471,180	925,511	11,900	35,328	5,439,590
Disbursements:								
Utility operating expenses	-	-	1,101,947	-	-	6,061	-	1,108,008
Other disbursements	1,089,234	28,997	-	353,780	714,526	-	26,496	3,870,868
Total disbursements	1,089,234	28,997	1,101,947	353,780	714,526	6,061	26,496	4,978,876
Excess (deficiency) of receipts over disbursements	346	7,313	(57,107)	117,400	210,985	5,839	8,832	460,714
Cash and investments - ending	$ 41,292	$ 17,313	$ 327,106	$ 171,978	$ 909,279	$ 18,739	$ 14,412	$ 3,886,432

TOWN OF SPENCER
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

		Ending Balance
Primary Government		
Governmental activities:		
Capital assets, not being depreciated:		
Land	$	53,000
Buildings		1,042,918
Improvements other than buildings		2,517,995
Machinery and equipment		397,782
Total governmental activities, capital assets not being depreciated	$	4,011,695

		Ending Balance
Primary Government		
Wastewater Utility:		
Capital assets, not being depreciated:		
Land	$	30,000
Buildings		129,535
Improvements other than buildings		2,817,340
Machinery and equipment		195,826
Total Wastewater Utility capital assets		3,172,701
Total business-type activities capital assets	$	3,172,701.00

TOWN OF SPENCER
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2010

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital Leases:		
2009 Police Car	$ 15,185	$ 7,998
2010 Police Car	21,272	7,576
Total governmental activities debt	$ 36,457	$ 15,574
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
1997 Wastewater Bonds	$ 820,920	$ 130,860
2006 Wastewater Bonds	290,000	38,820
2007 Wastewater Bonds	4,260,940	314,820
Total Wastewater Utility	5,371,860	484,500
Total business-type activities debt	$ 5,408,317	$ 500,074

OVERDRAWN CASH BALANCES

The cash balance of the Local Road and Street Fund was overdrawn at December 31, 2010.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
OVFT General	2009	$ 3,461
OVFT Equip Replacement	2009	10,065
Local Road and Street	2010	15,929
CCI	2010	3,147
EDIT	2010	7,513

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

PAYMENTS IN ADVANCE

Dates of payroll transactions indicate that some payments were made to employees prior to the completion of the pay period.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-7-3-1(a) states: "Public officers may not draw or receive their salaries in advance".

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling $10,060.74 and $400.96, respectively, were paid to the Internal Revenue Service for late payments on Federal Employment Taxes for 2009 and 2010. Penalties and interest were also paid to the Indiana Department of Revenue in the amount of $1,669.96 for 2009 and 2010. Non-sufficient fund charges were also assessed by Owen County State Bank in the amount of $382.00 for 2010 and 2011.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient to adequately provide an audit trail. The following exceptions were noted:

1. A complete ledger was not presented for audit in 2009.

2. Depository reconciliations of the ledger balance to the bank account balance were not performed accurately. Depository reconciliations were attempted each month but differences between the bank balance and the ledger balance were not researched, identified, and corrected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' includes the optical image of a check or deposit document when:

(1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and

(2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

(1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and

(2) remains accessible for later reference.

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

OFFICIAL BOND

The following official bond was not filed in the Office of the County Recorder:

Vicki DuBois, Clerk-Treasurer, from 07-31-09 to 06-24-11

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

1. Claims were not prepared for all disbursements.

2. Claims were not adequately itemized.

3. All claims did not have board approval.

4. Claims or invoices did not have evidence to support receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

(1) there is a fully itemized invoice or bill for the claim;

(2) the invoice or bill is approved by the officer or person receiving the goods and services;

(3) the invoice or bill is filed with the governmental entity's fiscal officer;

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF SPENCER, OWEN COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Spencer (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal program(s) for the years ended December 31, 2009 and 2010. The Town's major federal program(s) are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program(s) is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program(s) for the years ended December 31, 2009 and 2010.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2010-2. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Town's management, Town Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 15, 2011

TOWN OF SPENCER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-09	Total Federal Awards Expended 12-31-10
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Pass-Through Indiana Office of Community and Rural Affairs				
CDBG-State Administered Small Cities Program Cluster				
Community Development Block Grants/State's and Non-Entitlement Grants in Hawaii	14.228			
DR2-09-036			$ -	$ 500,839
DR1A-09-024			-	39,408
PL-09-024			-	40,000
Total for federal grantor agency			-	580,247
U.S. DEPARTMENT OF JUSTICE				
Direct Grant				
Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0350	8,342	36,309
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Pass-Through Indiana Finance Authority				
Capitalization Grants for Clean Water State Revolving Funds	66.458	WW09526004	2,207	51,417
U.S. DEPARTMENT OF HOMELAND SECURITY				
Pass-Through Indiana Department of Homeland Security				
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	DR 1766	-	29,729
Total federal awards expended			$ 10,549	$ 697,702

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF SPENCER
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Spencer (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of $500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF SPENCER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement(s):

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster
CDBG-State Administered Small Cities Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2010-1 - INTERNAL CONTROLS

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient to adequately provide an audit trail. The following exceptions were noted:

1. There were no ledgers presented for audit for the last six months of 2009.

2. Depository reconciliations of the ledger balance to the bank account balance were not performed accurately. Depository reconciliations were attempted each month but differences between the bank balance and the ledger balance were not researched, identified, or corrected.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We recommended that controls be implemented to ensure that accurate monthly bank reconcilements are performed.

Section III – Federal Award Findings and Questioned Costs

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: CDBG - State Administered Small Cities Program Cluster
CFDA Number: 14.228
Pass-Through Entity: Indiana Office of Community and Rural Affairs
Award Number and Year: DR2-09-036

FINDING 2010-2 - CASH MANAGEMENT

The Town has not sufficiently minimized the time elapsing between transfer of funds and their disbursement.

All invoices were verified for allowable costs and activities and then a request for drawdown was prepared. It was noted that one out of five invoices was not paid in a timely manner in regards to when the federal drawdown was received. The period from receipt of the federal drawdown to payment of claim exceeded the required five business days.

The Town has not implemented adequate internal accounting controls to minimize the time between the drawdown of funds and their disbursement.

In accordance with 24CFR85.20(b) (7) *Cash management*:

> "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of- credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Further, 24CFR85.21(b) states: "*Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205."

We recommended the Town follow federal regulations in all future projects. The Town should adopt internal accounting control procedures to ensure proper payout of funds.

TOWN OF SPENCER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Town Of Spencer

Founded February 12, 1820

Municipal Building

90 N. West Street • Spencer, Indiana 47460

Phone: 812-829-3213 Fax: 812-829-1567

TOWN OF SPENCER

CORRECTIVE ACTION PLAN

FINDING NO. 2010-1, INTERNAL CONTROLS

EXPECTED COMPLETION DATE: 12/31/2011

1. All accounting transactions will be recorded on the books by using the AP, Payroll, and General Ledger modules of the Greentree Accounting System and the Utilities Management System.
2. At the end of each month, the accounting period will be closed so posting to previous periods will be prevented. (Note: The Clerk Treasurer can reopen these periods to make adjusting entries during account reconciliations.)
3. Bank reconciliations to the ledgers will be completed by the 7th working day following the end of each month. Reconciliations will be reviewed and signed off on by the Clerk-Treasurer.

Cheryl Moke Aug 4, 2011

Cheryl Moke, Clerk-Treasurer

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TOWN OF SPENCER

CORRECTIVE ACTION PLAN

FINDING NO. 2010-2 CASH MANAGEMENT

Federal agency: U.S. Department of Housing and Urban Development
Federal Program: CDBG – State Administered Small Cities Program Cluster
CFDA Number: 14.228
Pass-Through Entity: Indiana Office of Community and Rural affairs
Award Number and Year: DR2-09-036

EXPECTED COMPLETION DATE: 8/01/2011

1. Clerk-Treasurer established online bank account access to get more timely information regarding direct deposits

2. After the drawdown request is made, the Clerk-Treasurer will monitor the account activity online to verify when the drawdown has been received.

3. All payments of claim will be made within the time required as stated by the Federal assistance program.

Cheryl Moke, Clerk-Treasurer

August 9, 2011

TOWN OF SPENCER
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2011, with Cheryl Moke, Clerk-Treasurer; Linda Simmerman, former Clerk-Treasurer; and Jon Stantz, President of the Town Council.